

The Honorable Orrin G. Hatch
Nominations Hearing
before the
Senate Judiciary Committee
July 29, 2009

Question for Mr. David J. Kappos, to be Director of the U.S. Patent and Trademark Office:

You mentioned in your testimony that there is a great need to address pendency concerns while *preserving* and *enhancing* patent quality. One major problem for examiners is the volume of prior art they have to review.

During the 110th Congress, former USPTO Director Jon Dudas testified before the Senate Judiciary Committee. He brought with him a box of materials to show the Committee what a patent examiner reviews when processing an Information Disclosure Statement. There were about 2,600 pages of material submitted in one box. And there were 27 other boxes that had the same amount of material for the one patent application.

Such a deluge of information is counterproductive and does not help produce high-quality patents. Yet, patent applicants must be extremely cautious under current law. They have to send the patent examiner anything that could be considered any way relevant.

This is caused by our current law on inequitable conduct. I've been working hard to find a way to release some of that pressure.

It seems to me if you get it right in the front end, a lot issues that come up later could be prevented, including costly litigation.

I believe we must provide a way for patent owners to send information they find out was not considered by the USPTO during original examination.

I've proposed a *modest* change to the reissue procedure to let patent owners do just that.

This type of procedure would offset some of the pressure to over-disclose information.

Would you not agree that if that type of procedure were available, we'd end up with higher quality patents?

Do you believe the current reissue procedure shields a patent from attack under inequitable conduct?

I agree that it is essential to develop reforms that encourage patent applicants to share all information relevant to their application on a timely and accurate basis. A properly crafted procedure involving reissue may certainly be a viable option. If confirmed, I would look forward to working with you, the Committee and stakeholders to develop a consensus-based approach that ensures that the most complete, accurate and timely information is placed before patent examiners without placing applicants at risk of abusive claims of inequitable conduct.

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Question for Mr. David J. Kappos, to be Director of the U.S. Patent and Trademark Office:

You mentioned in your testimony that the USPTO needs a stable and sustainable funding model. There is no doubt that the road to economic recovery begins with a high-functioning and well-funded USPTO.

I strongly believe that the practice of diverting funds needs to be stopped.

It seems to me there's got to be some financial flexibility for the agency to plan for infrastructure improvements, improve service to the public, and weather economic downturns. Of course, we don't want to send our appropriator friends over the edge, but there's got to be a middle ground here.

What are your thoughts on the best way to achieve a viable funding model?

What form would it take?

The mission of the USPTO is critical and the agency should not have the effectiveness of its operations be subject to downturns in economic conditions or other factors that may cause uncertainty in revenues collected, while a processing backlog continues to exist. To ensure a sustainable operating model, I support continued full access to collected fees and, if confirmed, I will consider ways to enhance the USPTO's flexibilities to allow the agency to improve multi-year planning to adjust to changes in revenues and applicant demand. I have heard from numerous members of the patent community who would pay higher fees to USPTO, if those revenues stayed with the agency to improve services. If confirmed, I will also work with the Congress to explore additional measures or authorities that would ensure sufficient dependable funding, improve USPTO's day-to-day operations and place the agency on a sustainable path.

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Question for Mr. David J. Kappos, to be Director of the U.S. Patent and Trademark Office:

Earlier this year you testified before the Senate Judiciary Committee regarding the need for patent reform legislation. As you know, I've been working with Senator Leahy for years on how best to accomplish this goal.

On the issue of how monetary damages are calculated and awarded to successful litigants, you stated, "The current legal standard does not provide the certainty needed to enable modern business to operate effectively."

The damages compromise includes so-called *gatekeeper* language. It would provide courts with guidelines on handling evidence of infringement so they can determine monetary awards to patent holders who claim their inventions have been improperly taken.

Do you think the damages compromise provides the certainty that you said was needed?

While I do not believe that we can ever realistically achieve a perfect legislative formulation governing the assessment of damages in patent infringement cases, the compromise damages language in S. 515, as reported, focusing on a "gatekeeper" approach is certainly an improvement over current law. I look forward to the opportunity to work with the Administration as it weighs in on the patent reform debate in the 111th Congress.

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As Director of the USPTO, you will have to deal with the agency's backlog. This is a major issue and will require significant attention.

The previous Director advocated for a series of rule packages that were strongly opposed by industry.

What steps are you going to take to listen to your patent applicants about USPTO's workload challenges?

Will you start fresh and seek new ideas from the patent community?

If confirmed, I fully intend to seek advice and input from all stakeholders. Over the last two decades I have spoken with many in the intellectual property stakeholder community and I will continue to have ongoing conversations. The USPTO will fully engage stakeholders through information notices requesting public comment, roundtables and other outreach efforts in developing and implementing initiatives that will effectively, efficiently and fairly address the USPTO's workload challenges.

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Question for Mr. David J. Kappos, to be Director of the U.S. Patent and Trademark Office:

I appreciated your comments about the need to protect the interest of American innovators in the global arena. Trademark counterfeiting is worldwide in scope and costs the U.S. economy billions of dollars every year.

Fostering strong intellectual property protection builds the economies of not only developed nations, like ours, but for any nation striving to achieve a vibrant and growing economy. Yet, it is vital that we provide those working on the front lines with the tools they need to ensure that our nation's IP rights are lawfully respected by foreign countries.

I believe that any solution must take an integrated approach with both domestic and international prongs which incorporate educational, judicial, and enforcement components to halt the attack on our intellectual property.

Do you have any additional suggestions on how we might combat and deter infringement and promote honest business practices in the use and development of intellectual property abroad?

I strongly agree that we must take a coordinated approach to deterring and fighting foreign and domestic infringement of the intellectual property of American's innovators. Counterfeiting and piracy cost the U.S. billions of dollars in revenue and hundreds of thousands of jobs. Commerce Secretary Locke recently called for a stronger effort to protect U.S. IPR worldwide. If confirmed, I look forward to working closely with the person who will serve as the Intellectual Property Enforcement Coordinator and all other Administration officials with intellectual property rights enforcement responsibilities to develop and implement new approaches as well as improve current approaches in fighting this scourge.

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If confirmed, you will be required to balance the interests of all innovators in this country. This will not be an easy task. You will be expected to advance sound public policy while considering all interested parties.

How do you plan to do this?

If confirmed, my decision-making and advocacy will be based on a careful analysis of the issues before me, the benefits to the entire innovation community, the impact on job creation, and the goal of securing the economic future of our country through innovation. I will not endorse or promote any initiative that has the effect of picking winners or losers or otherwise favoring any particular industry or area of technology over another. I will do only, and exclusively, what is right for the American people and American intellectual property system.